



**Prophecy**

**Consolidated Financial Statements**

For the Half-Year Ended 31 December 2013

# Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

## Results For Announcement to the Market

### For the Period Ended 31 December 2013

This report should be read in conjunction with the 30 June 2013 Annual Financial Report of the consolidated entity.

1	Summary of results	% change	Direction	\$
	Revenue from ordinary activities	3%	down	4,079,387
	Profit from ordinary activities before tax attributable to members	10%	down	1,392,324
	Profit from ordinary activities after tax attributable to members	6%	down	1,030,082
	Profit from ordinary activities attributable to members (after non controlling interests)	6%	down	1,030,082

The Directors have declared an interim unfranked dividend of 2 cents per share with a record date of 13<sup>th</sup> March 2014 and payment date of 3<sup>rd</sup> April 2014. The Conduit Foreign Income portion of the dividend is zero.

## 2 Explanatory information

For the six months to 31 December 2013, Prophecy has posted a profit before tax of \$1.39 million. This compares with a profit of \$1.55 million before tax for the same period last year.

Revenues for the six months to 31 December 2013 were \$4.10 million – down 3% from the same period last year which recorded revenues of \$4.20 million.

The half year closed with a cash balance of \$4.83 million which was \$1.75 million higher than the cash balance at the same period last year.

## 3 Net Tangible Assets per Security

	2013	2012
	\$	\$
Net Tangible Assets	5,078,393	3,538,214
Number of Securities	55,409,784	50,209,784
<b>NTA per Security</b>	<b>0.092</b>	<b>0.070</b>

## 4 Changes in Controlled Entities

None

The reviewed financial statements for the period ended 31 December 2013 are attached

# Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

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31 December 2013

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# Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

## Review of Operations & Results of Operations

31 December 2013

### FINANCIALS

For the six months to 31 December 2013, Prophecy has posted a profit before tax of \$1.39 million.

This compares with a profit of \$1.55 million before tax for the same period last year.

Revenues for the six months to 31 December 2013 were \$4.1 million, compared to \$4.2 million last year.

The half year closed with a cash balance of \$4.83 million which was \$1.75 million higher than the cash balance at the same period last year.

The Directors have declared an interim unfranked dividend of 2 cents per share for the half.

### SALES AND MARKETING

Sales of the Snare product set have progressed well in the last 6 months. This product set continues to show that it is very competitive on the world stage. Snare is an Event Log Management tool which provides a valuable service to businesses in any industry looking to fill a gap in their security compliance. There is an ever increasing focus on regulatory compliance around the world, and this augurs well for continued sales success. General Snare sales were up 18%, on a like for like basis. Prophecy Americas worked exceptionally hard to increase sales growth for Snare in the North American market.

As announced, a new Snare Business Partner, Solutionary Inc has been appointed. Solutionary is a Nippon Telegraph and Telephone (NTT) Security Group company. It is the leading pure-play Managed Security Service provider (MSSP) in North America. Solutionary is offering the Snare product set as an integrated part of their managed service with the ActiveGuard platform. This bundling of the Snare product will result in a rapid rise in sales using the full capabilities of the Solutionary sales force. We should see the results of this activity build up during this year. We are seeking additional partnerships of this nature to promote new sales.

The Promadis unit closed a new deal for the BDM solution for the nation of The Solomon Islands. That project implementation progressed to live status in the half year.

### RESEARCH AND DEVELOPMENT

Research and Development of basis2 continued steadily during the reporting period, with ongoing enhancements and new features being developed and released within the 2013 calendar year. All research and development is fully expensed in Prophecy's accounts. The basis2 application is a highly flexible product developed in Oracle and able to be readily integrated with the Oracle e-business suite. Its features enable it to score highly in competitive situations and the investment in product development assists Prophecy to achieve its sales success.

Additional Research and Development was expended on the Promadis BDM product set to introduce a new online Birth Registration module. This was implemented for South Australia during the half and new parents can now perform online birth registrations.

Release 6.2 of the Snare Server was issued in the half. This release offers a new multi destination reflector capability which can send data to multiple destinations at the same time using different protocols. Version 6.2 can now be used as a SIEM end point or a SIEM node in a multi-tiered environment along with other Syslog collectors, servers and aggregators. Initial customer response to this new release is very positive. The increased investment in Research & Development of the Snare product is paying dividends, with new staff becoming productive very quickly.

## **Prophecy International Holdings Limited and Controlled Entities**

ABN: 16 079 971 618

# **Review of Operations & Results of Operations**

**31 December 2013**

### **SUPPORT OF CUSTOMERS**

The six months to 31 December has been a busy and productive time for our consultants and support staff. The Addis Ababa Water and Sewerage Authority (AAWSA) basis2 Customer Information and Billing system was confirmed live, producing water bills for some 400,000 consumers. In addition, the City of Yonkers basis2 Customer Information and Billing System was also confirmed live, producing water bills for some 165,000 residents.

The increase in sales of our Snare products has brought about a steady stream of queries from our new customers as they learn how to get the best from the product. Snare is a mature, stable product with minimal support required for most customers.

Prophecy welcomed Steve Challans to our ranks. Steve came on board as our Principal Consultant for Snare products. Steve has a very rich background in IT, including 15 years specialising in Information Security roles. Steve has been a fantastic influence on our Snare team since his arrival.

### **OUTLOOK**

Prophecy has begun this financial year well, with results comparing well with last year's position. Management expects the Group to achieve its full year profit targets.

A new substantial shareholder in the name of Microequities Asset Management came onto the Prophecy register in the period. The directors welcome the interest shown by this innovative Fund Manager and we look forward to other funds showing an interest in our business as well.

Prophecy has competitive, innovative and flexible solutions that are able to be very competitive on world markets. Our staff are dedicated and motivated to continue our recent successes. Our Partners are working with us to demonstrate our advantages, and to push for successful outcomes in this financial year.

With the upcoming announced dividend of 2c, Prophecy can claim a dividend stream of 22.5 cents over the last 7 and a half years, averaging 3c per year over that time. Our expectation is for growing profit and another dividend payout for the full year.

Prophecy is actively seeking its next acquisition target. We have the capacity to take another great business under our wing and take its software products to the world markets. We have been assessing a large number of potential targets against our requirements list, and are confident of finding the next great product set to grow our business into the future.

## **Directors' Report**

**31 December 2013**

The directors submit the financial report of the Group for the half-year ended 31 December 2013.

### **1. General information**

#### **Information on directors**

The names of each person who has been a director during the year and to the date of this report are:

Ed Reynolds

Anthony P Weber

Leanne R Challans

### **2. Operating results and review of operations for the year**

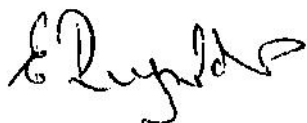
#### **Review of operations**

A review of the operations of the Group during the year and the results of those operations is shown on page 1 of this report.

#### **Auditor's independence declaration**

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the year ended 31 December 2013 has been received and can be found on page 4 of the financial report.

This report is signed in accordance with a resolution of the Board of Directors.



Director: .....

Ed Reynolds



Director: .....

Leanne R Challans

Dated 21 February 2014

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**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF PROPHECY INTERNATIONAL HOLDINGS LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Prophecy International Holdings Limited for the half-year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.

*Grant Thornton*

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



S K Edwards  
Partner – Audit & Assurance

Adelaide, 21 February 2014

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## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 31 December 2013

	31 December 2013	31 December 2012
	\$	\$
Revenue	4,079,387	4,197,193
Other income	19,038	-
Employee benefits expense	(2,063,971)	(2,032,944)
Depreciation and amortisation expense	(79,234)	(81,497)
Other expenses	(562,260)	(507,290)
Finance costs	(636)	(28,326)
<b>Profit before income tax</b>	<b>1,392,324</b>	<b>1,547,136</b>
Income tax expense	(362,242)	(448,955)
<b>Profit from continuing operations</b>	<b>1,030,082</b>	<b>1,098,181</b>
<b>Profit for the year</b>	<b>1,030,082</b>	<b>1,098,181</b>
<b>Other comprehensive income, net of income tax</b>		
<b>Items that may be reclassified to profit or loss when specific conditions are met</b>		
Exchange differences on translating foreign controlled entities	30,294	33,266
<b>Other comprehensive income for the year, net of tax</b>	<b>30,294</b>	<b>33,266</b>
<b>Total comprehensive income for the year</b>	<b>1,060,376</b>	<b>1,131,447</b>
Profit attributable to:		
Members of the parent entity	1,030,082	1,098,181
Total comprehensive income attributable to:		
Members of the parent entity	1,060,376	1,131,447
<b>Earnings per share</b>		
From continuing operations:		
Basic earnings per share (cents)	1.94	2.19
Diluted earnings per share (cents)	1.94	2.19



**Prophecy International Holdings Limited and Controlled Entities**

ABN: 16 079 971 618

**Consolidated Statement of Financial Position**

As At 31 December 2013

	31 December 2013 \$	30 June 2013 \$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	4,827,511	2,693,254
Trade and other receivables	2,321,251	1,375,934
Work in progress	-	11,008
Other financial assets	-	1
Other assets	134,005	53,356
<b>TOTAL CURRENT ASSETS</b>	<b>7,282,767</b>	<b>4,133,553</b>
<b>NON-CURRENT ASSETS</b>		
Trade and other receivables	1,477	1,426
Property, plant and equipment	72,021	70,115
Deferred tax assets	550,592	686,621
Intangible assets	3,711,992	3,779,493
<b>TOTAL NON-CURRENT ASSETS</b>	<b>4,336,082</b>	<b>4,537,655</b>
<b>TOTAL ASSETS</b>	<b>11,618,849</b>	<b>8,671,208</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables	332,776	328,546
Current tax liabilities	227,321	(1,828)
Employee benefits	722,132	775,411
Other financial liabilities	1,363,731	885,096
Other liabilities	75,000	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,720,960</b>	<b>1,987,225</b>
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	82,961	54,314
Employee benefits	24,543	24,513
Other liabilities	-	150,000
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>107,504</b>	<b>228,827</b>
<b>TOTAL LIABILITIES</b>	<b>2,828,464</b>	<b>2,216,052</b>
<b>NET ASSETS</b>	<b>8,790,385</b>	<b>6,455,156</b>
<b>EQUITY</b>		
Issued capital	18,959,464	16,931,464
Reserves	(51,766)	(82,060)
Retained earnings	(10,117,433)	(10,394,368)
<b>Total equity attributable to equity holders of the Company</b>	<b>8,790,265</b>	<b>6,455,036</b>
Non-controlling interest	120	120
<b>TOTAL EQUITY</b>	<b>8,790,385</b>	<b>6,455,156</b>

The accompanying notes form part of these financial statements.

# Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

## Consolidated Statement of Changes in Equity

For the Half-Year Ended 31 December 2013

31 December 2013

	Note	Ordinary Shares \$	Retained Earnings \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Non- Controlling Interests \$	Total \$
<b>Balance at 1 July 2013</b>		16,931,464	(10,394,368)	(206,885)	124,825	120	6,455,156
Profit attributable to members of the parent entity		-	1,030,082	-	-	-	1,030,082
Total other comprehensive income for the year		-	-	30,294	-	-	30,294
Shares issued during the year		2,028,000	-	-	-	-	2,028,000
Dividends paid or provided for	4	-	(753,147)	-	-	-	(753,147)
<b>Balance at 31 December 2013</b>		<b>18,959,464</b>	<b>(10,117,433)</b>	<b>(176,591)</b>	<b>124,825</b>	<b>120</b>	<b>8,790,385</b>

31 December 2012

	Note	Ordinary Shares \$	Retained Earnings \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Non- Controlling Interests \$	Total \$
<b>Balance at 1 July 2012</b>		16,931,464	(10,156,581)	(143,970)	124,825	120	6,755,858
Profit attributable to members of the parent entity		-	1,098,181	-	-	-	1,098,181
Total other comprehensive income for the year		-	-	33,266	-	-	33,266
Dividends paid or provided for	4	-	(502,098)	-	-	-	(502,098)
<b>Balance at 31 December 2012</b>		<b>16,931,464</b>	<b>(9,560,498)</b>	<b>(110,704)</b>	<b>124,825</b>	<b>120</b>	<b>7,385,207</b>

The accompanying notes form part of these financial statements.

# Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

## Consolidated Statement of Cash Flows

For the Half-Year Ended 31 December 2013

	31 December 2013	31 December 2012
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	2,980,020	4,197,967
Payments to suppliers and employees	(2,242,410)	(2,680,605)
Interest received	43,759	64,187
Finance costs	(636)	(28,326)
Income taxes paid	-	149,463
Net cash provided by operating activities	<u>780,733</u>	<u>1,702,686</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	<u>(18,056)</u>	<u>(13,131)</u>
Net cash used by investing activities	<u>(18,056)</u>	<u>(13,131)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issue of shares	2,028,000	-
Dividends paid by parent entity	<u>(753,147)</u>	<u>(502,098)</u>
Net cash used by financing activities	<u>1,274,853</u>	<u>(502,098)</u>
Net increase in cash and cash equivalents held	2,037,530	1,187,457
Cash and cash equivalents at beginning of period	2,693,254	1,893,832
Effects of foreign exchange rates on overseas cash holdings	96,727	2,103
Cash and cash equivalents at end of period	<u><u>4,827,511</u></u>	<u><u>3,083,392</u></u>

The accompanying notes form part of these financial statements.

## **Notes to the Financial Statements**

### **For the Half-Year Ended 31 December 2013**

#### **1 Basis of Preparation**

This condensed consolidated interim financial report for the reporting period ending 31 December 2013 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting. The group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The interim financial report is intended to provide users with an update on the latest annual financial statements of Prophecy International Holdings Limited and Controlled Entities (the Group). As such it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. This condensed consolidated financial report does not include all the notes normally included in an annual financial report. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2013, together with any public announcements made during the year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except in relation to some of the matters discussed at Note 2(a).

#### **2 Summary of Significant Accounting Policies**

##### **(a) Adoption of new and revised accounting standards**

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2013, except for the application of the following standards as of 1 January 2013:

- AASB 10 *Consolidated Financial Statements*
- AASB 11 *Joint Arrangements*
- AASB 13 *Fair Value Measurement*
- AASB 119 *Employee Benefits* (September 2011)

Management has reviewed the new requirements of the above standards and has concluded that there is no effect on the classification or presentation of balances as the Group has no arrangements within the scope of the above standards.

##### **(b) Critical accounting estimates and judgments**

The critical estimates and judgments are consistent with those applied and disclosed in the June 2013 annual report.

# Prophecy International Holdings Limited and Controlled Entities

ABN: 16 079 971 618

## Notes to the Financial Statements

For the Half-Year Ended 31 December 2013

### 3 Operating Segments

#### (a) Segment performance for the half-year ended 31 December 2013

	Prophecy International Holdings Ltd		Prophecy International Pty Ltd		Prophecy R&D Pty Ltd		Promadis Pty Ltd		Prophecy Americas Inc		Prophecy Europe Limited		Intersect Alliance International Pty Ltd		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>REVENUE</b>																
External sales	-	50,000	1,130,729	1,277,415	-	-	765,777	681,206	1,200,316	794,288	21,256	30,215	842,027	1,311,763	3,960,105	4,144,887
Inter-segment revenue	-	-	898,551	671,564	-	-	-	-	-	125,027	-	5,970	-	-	898,551	802,561
Other revenue	94,913	234	4,495	27,436	-	-	-	-	523	-	-	-	19,351	24,636	119,282	52,306
<b>Total segment revenue</b>	<b>94,913</b>	<b>50,234</b>	<b>2,033,775</b>	<b>1,976,415</b>	<b>-</b>	<b>-</b>	<b>765,777</b>	<b>681,206</b>	<b>1,200,839</b>	<b>919,315</b>	<b>21,256</b>	<b>36,185</b>	<b>861,378</b>	<b>1,336,399</b>	<b>4,977,938</b>	<b>4,999,754</b>
<b>Segment operating profit</b>	<b>(29,697)</b>	<b>12,393</b>	<b>826,982</b>	<b>659,050</b>	<b>-</b>	<b>-</b>	<b>226,230</b>	<b>101,933</b>	<b>184,079</b>	<b>36,248</b>	<b>1,164</b>	<b>(21,309)</b>	<b>183,566</b>	<b>828,821</b>	<b>1,392,324</b>	<b>1,617,136</b>

#### (b) Segment assets

	Prophecy International Holdings Ltd		Prophecy International Pty Ltd		Prophecy R&D Pty Ltd		Promadis Pty Ltd		Prophecy Americas Inc		Prophecy Europe Limited		Intersect Alliance International Pty Ltd		Total	
	31 Dec	30 June	31 Dec	30 June	31 Dec	30 June	31 Dec	30 June	31 Dec	30 June	31 Dec	30 June	31 Dec	30 June	31 Dec	30 June
	2013	2013	2013	2013	2013	2013	2013	2013	2013	2013	2013	2013	2013	2013	2013	2013
<b>Segment assets</b>	<b>14,481,670</b>	<b>11,646,010</b>	<b>17,459,418</b>	<b>14,159,036</b>	<b>503,284</b>	<b>503,284</b>	<b>766,915</b>	<b>690,175</b>	<b>2,359,808</b>	<b>754,890</b>	<b>750,988</b>	<b>545,030</b>	<b>2,792,895</b>	<b>2,674,180</b>	<b>39,114,978</b>	<b>30,972,605</b>

## Notes to the Financial Statements

For the Half-Year Ended 31 December 2013

	31 December 2013	31 December 2012
	\$	\$

### 3 Operating Segments continued

#### (c) Reconciliations

*Reconciliation of segment operating profit to the consolidated statement of profit or loss and other comprehensive income*

The Board meets on a monthly basis to assess the performance of each segment, net operating profit does not include non-operating revenue and expenses such as dividends, fair value gains and losses.

Segment net operating profit	1,392,324	1,617,136
Income tax expense	(362,242)	(448,955)
Unallocated amortisation expense	-	(70,000)
Total net profit after tax	<u>1,030,082</u>	<u>1,098,181</u>

### 4 Dividends

Distributions paid/provided for

Proposed interim un-franked ordinary dividend of 2.0 (2012: 2.0) cents to be paid 3rd April 2014.

1,108,196	1,004,196
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Final un-franked ordinary dividend declared and paid on 2 October 2013 of 1.5 (2012: 1.0) cents per share

<u>753,147</u>	<u>502,098</u>
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**Total**

<u><u>1,861,343</u></u>	<u><u>1,506,294</u></u>
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### 5 Interests in Subsidiaries

#### Composition of the Group

	Country of Incorporation	Percentage Owned (%)* At 31 December 2013	Percentage Owned (%)* At 30 June 2013
<b>Subsidiaries:</b>			
Promadis Pty Ltd	Australia	100.0	100.0
Intersect Alliance International Pty Ltd	Australia	100.0	100.0
Prophecy International Pty Ltd as trustee for CSP Unit Trust	Australia	100.0	100.0
Prophecy R&D Pty Ltd	Australia	100.0	100.0
Prophecy Americas' Inc	United States	93.1	93.1
Prophecy Europe Limited	United Kingdom	100.0	100.0

\*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries. Each subsidiary's country of incorporation is also its principal place of business.

## **Notes to the Financial Statements**

**For the Half-Year Ended 31 December 2013**

### **6 Debt and Equity Securities**

On 18th September 2013, the Group issued 5.2 million new fully paid ordinary shares to Microequities Asset Management Pty Ltd at an issue price of 39 cents per share to raise \$2,028,000.

### **7 Contingencies**

In the opinion of the Directors, there has been no changes in contingencies since the 2013 annual report.

### **8 Events Occurring After the Interim Period**

No matters or circumstances have arisen since the end of the half-year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

# Prophecy International Holdings Limited and Controlled Entities

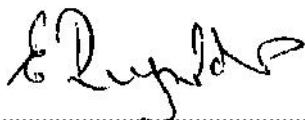
ABN: 16 079 971 618

## Directors' Declaration

The directors of the Company declare that:

1. The consolidated financial statements and notes, as set out on pages 5 to 12 are in accordance with the *Corporations Act 2001*, including:
  - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
  - (b) give a true and fair view of the consolidated group's financial position as at 31 December 2013 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Director: .....

Ed Reynolds



Director: .....

Leanne R Challans

Dated 21 February 2014



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## **INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF PROPHECY INTERNATIONAL HOLDINGS LIMITED**

We have reviewed the accompanying half-year financial report of Prophecy International Holdings Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

### **Directors' responsibility for the half-year financial report**

The Directors of Prophecy International Holdings Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Prophecy International Holdings Limited consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

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As the auditor of Prophecy International Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Independence**

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

### **Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Prophecy International Holdings Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

*Grant Thornton*

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



S K Edwards  
Partner – Audit & Assurance

Adelaide, 21 February 2014